

Economics: Ideology or Toolkit?

Zubin Jelveh

University of Maryland, USA

Prepared for SUERF

January 2025

Card + Krueger on Minimum Wage

NBER Working Paper #4509
October 1993

MINIMUM WAGES AND EMPLOYMENT: A CASE STUDY OF THE FAST FOOD INDUSTRY IN NEW JERSEY AND PENNSYLVANIA

ABSTRACT

On April 1, 1992 New Jersey's minimum wage increased from \$4.25 to \$5.05 per hour. To evaluate the impact of the law we surveyed 410 fast food restaurants in New Jersey and Pennsylvania before and after the rise in the minimum. Comparisons of the changes in wages, employment, and prices at stores in New Jersey relative to stores in Pennsylvania (where the minimum wage remained fixed at \$4.25 per hour) yield simple estimates of the effect of the higher minimum wage.

Our empirical findings challenge the prediction that a rise in the minimum reduces employment. Relative to stores in Pennsylvania, fast food restaurants in New Jersey increased

Interview with Minnesota Fed

“I've subsequently stayed away from the minimum wage literature...it cost me a lot of friends...some of the ones I met at my first job at the University of Chicago, became very angry or disappointed. They thought that in publishing our work we were being traitors to **the cause of economics as a whole.**”

Some Vindication for Card

Yes, Economics Is a Science

By Raj Chetty

Oct. 20, 2013

Raj Chetty (2013, NYT):

- “As is the case with epidemiologists, the fundamental challenge faced by economists — and a root cause of many disagreements in the field — is our limited ability to run experiments.”
- On the study of unemployment benefits:
 - “Nearly a dozen economic studies have analyzed this question by comparing unemployment rates in states that have extended unemployment benefits with those in states that do not. These studies approximate medical experiments in which some groups receive a treatment...while “control” groups don’t.”

Empirics = Value Free

- “These studies have uniformly found that a 10-week extension in unemployment benefits raises the average amount of time people spend out of work by at most one week. This simple, **unassailable** finding implies that policy makers can extend unemployment benefits to provide assistance to those out of work without substantially increasing unemployment rates.”
- ...as the availability of data increases, economics will continue to become a more empirical, scientific field.

Political Language in Economics (2011 to 2024)

- Predict the political leanings of academic economists using the text of their papers.
- “Political leanings” measured using a combination of campaign contributions and political petitions.
- We find our predicted ideology measure is correlated with:
 - Field (Finance, Macro, Law lean right, while Labor leans left)
 - Journals:
 - Right: JPE, Center: AER
 - Policy-relevant research results

“child support” versus “child care”

- Anthropic’s Claude Sonnet 3.5:

In contemporary US political discourse:

"Child support" is more frequently invoked in conservative arguments, often in discussions about personal responsibility, welfare reform, and family structure. It's commonly referenced when arguing that enforcement of child support payments should be strengthened as an alternative to government assistance programs.

"Child care" appears more prominently in progressive/liberal policy proposals and messaging, particularly in arguments for expanded public funding and infrastructure for early childhood care and education. Progressive politicians and advocates tend to frame child care as a public good and economic necessity, similar to K-12 education.

Ideological Bias in Estimates of the Impact of Immigration

George J. Borjas & Nate Breznau

- Use a Many Analyst / One Dataset controlled experiment
- Across 71 research teams to study impact of immigration on attitudes:
 - Anti-immigration teams found immigration reduces support for welfare programs
 - Pro-immigration teams found the opposite
- Results driven by outcome variable definition, inclusion of different survey waves

People Discount Conflicted Science

- Barrios et al (2024)
- Survey economists and the general public on trust reduction and conflict of interest:
 - Financial (27% reduction in trust)
 - Professional (36%)
 - Ideological (17%)
- “Current disclosure system lacks credibility”
- “conflicted papers must be systematically discounted in literature reviews, legal proceedings, and academic promotions”

Is Disclosure Part of the Answer?

- Qualitative Research: Reflexivity Statements
- Mandatory disclosure of political views would face legal challenges / impinge on academic freedom

More generally: How to disentangle deep subject matter experience leading to strong views on policy vs. ideological biases

Deeper Issues: Values are Inevitable

- Philosophical consensus against the possibility of value-free science
- Values that have shaped economics in the 20th century:
 - Individual rationality and self-interest as foundational assumptions
 - Market efficiency as a central organizing principle
 - Quantification and mathematical formalization as preferred methods
 - Methodological individualism over collective/structural analysis
 - Western, particularly Anglo-American perspectives on property rights and markets
 - Emphasis on efficiency over equity in analysis
 - Preference for market-based solutions over government intervention
 - Focus on measurable outcomes over qualitative factors

Modern Values

- Empirical rigor
- Experimentation
- Skepticism of structural models w/o empirical backing
- Behavioral insights

Question: What is the interaction between the empirical turn in economics and its foundational (20th century) assumptions?

Paths Forward?

Economists Are in the Wilderness. Can They Find a Way Back to Influence?

Economists have long helped to shape policy on issues like taxes and health care. But flawed forecasts and arcane language have cost them credibility.